

Message Text

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ACTION EUR-25

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SUBJECT: OECD EXAMINATION OF FOREIGN INVESTMENT
POLICIES AND PRACTICES

REF: STATE 188847

1. DUTCH INVESTMENT INCENTIVE SYSTEM REMAINS AS DESCRIBED
IN SECTION III 2 OF GON PUBLICATION " GUIDE TO THE ESTAB-
LISHING OF INDUSTRIAL OPERATIONS IN NETHERLANDS" COPIES OF
WHICH SHOULD BE AVAILABLE IN EB, WE, AND COMMERCE. SYSTEM
IS DESIGNED TO ENCOURAGE INVESTMENT IN LESS DEVELOPED AREAS
OF NETHERLANDS (ZEELAND, LIMBURG AND NORTH COAST) AND IS
NON- DISCRIMINATORY AS TO NATIONALITY, BUT IT TENDS TO BE
USED MORE BY NON- DUTCH COMPANIES NOT ALREADY ESTABLISHED IN
WEST- CENTRAL (RANDSTAD) INDUSTRIAL COMPLEX. SYSTEM CONSISTS
OF CASH, INTEREST AND TAX SUBSIDIES ON NEW CONSTRUCTION OR
EXPANSION AND DOES NOT INVOLVE STIMULI OF ANY KIND TO EXPORTS.

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2. CURRENT POLICY IS TO PHASE DOWN INVESTMENT INCENTIVES. RATIONALE UNCLEAR, BUT PROBABLY COMBINATION OF TIGHT BUDGET, DOUBTS ABOUT EFFICACY, AND ANIMUS OF ENVIRONMENTALISTS AGAINST INDUSTRY IN GENERAL. IN FACT TREND NOW IS TOWARD DISINCENTIVE TO INVESTMENT IN RANDSTAD AREA THROUGH PROPOSED " SELECTIVE INVESTMENT LEVY" WHICH MAY FINALLY BE PASSED BY PARLIAMENT NEXT AUTUMN. OSTENSIBLE PURPOSE OF LEVY -- TO ENCOURAGE INVESTMENT IN NORTH, EAST AND SOUTH -- IS PROBABLY SECONDARY TO CONCERN FOR ENVIRONMENT IN RANDSTAD.

3. ACCORDING TO MINECON SOURCE, " AT LEAST" NINE WHOLLY US-OWNED FIRMS PLUS UNSPECIFIED NUMBER OF JOINT VENTURES HAVE BENEFITTED FROM INCENTIVES. SOURCE MENTIONED M & R LABORATORIA (SUBSIDIARY OF ABBOTT LABORATORIES), AIR PRODUCTS, CORDIS EUROPE, DOW CHEMICAL, GE PLASTICS, HONEYWELL, MEDTRONIC, TRENT TUBE AND UPJOHN. IN TIME ALLOWED WE WERE ABLE TO GET DETAILS ON ONLY ONE OF THESE, DOW, WHICH IS ALSO BIGGEST IN MONEY TERMS. DOW HAS FURNISHED FOLLOWING DETAILS FOR BACK-

GROUND USE OF USDEL AT XCSS MEETING, BUT EXACTED PROMISE (WHICH WE TRUST USDEL WILL HONOR) THAT NEITHER DOW' S NAME NOR MONE-TARY AMOUNTS INVOLVED WILL BE EXPOSED IN MEETING.

4. WHEN DOW FIRST CONSIDERED INVESTMENT AT TERNEUZEN (IN ZEELAND AREA) GON OFFERED SUBSIDY OF FIXED PERCENTAGE OF EXPENDITURES ON LAND, BUILDINGS AND MACHINERY. IN 1969, WHEN PROJECT WAS WELL ALONG, DUTCH UNILATERALLY WITHDREW OPEN-ENDED FEATURE AND REQUIRED THAT CONSTRUCTION BE BROKEN DOWN INTO DEFINABLE " PROJECTS" ON WHICH GON WOULD PUT UP AGREED PERCENTAGE BUT NO MORE THAN 1.5 MILLION GUILDERS ON EACH PRO-JECT. IN THIS MANNER, GON CONTRIBUTED ABOUT 25 MILLION GUILDERS TO TOTAL DOW INVESTMENT OF ABOUT 350 MILLION US DOL-LARS UNTIL ARRANGEMENT WAS TERMINATED BY GON TWO YEARS AGO. IN MEANTIME, GON CHANGED SIGNALS ON REBATE OF VALUE ADDED TAX ON INDUSTRIAL BUILDINGS WITH RESULT THAT DOW HAD TO PAY UNFORESEEN TAXES WHICH ADDED UP TO MORE THAN TOTAL SUBSIDIES RECEIVED. DOW TELLS US THAT WHILE DUTCH INVESTMENT SUBSIDY WAS KEY, IF NOT DECISIVE, ELEMENT IN SELECTION OF NETHERLANDS SITE, SUBSEQUENT ACTIONS OF GON HAVE LED DOW TO LOOK ELSEWHERE (PRIMARILY BELGIUM) IN EXPANSION PLANS.

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5. AS FAR AS WE CAN JUDGE, DUTCH DO NOT GIVE COVERT INCEN-TIVES TO ENCOURAGE INVESTMENT, DESPITE FACT THAT BELGIANS APPARENTLY DO, AND ARE SUCCESSFULLY LURING INVESTORS AWAY FROM NETHERLANDS AS RESULT. BENELUX AGREEMENT OF TWO YEARS AGO OUTLAWING SUCH PRACTICES HAS APPARENTLY BEEN HONORED IN BREACH BY BELGIANS. ABSENCE OF OFFICIAL PROTEST FROM DUTCH SIDE REFLECTS FACT THAT DUTCH ARE NO LONGER AGGRESSIVELY

RECRUITING NEW INVESTMENT.

6. ANOTHER MAJOR BENEFICIARY OF DUTCH INCENTIVE SYSTEM IS
GE PLASTICS, WITH US HEADQUARTERS IN PITTSFIELD, MASS. LOCAL
MANAGER, DR. GOWAN, IS NOW IN PITTSFIELD AND WOULD , WE BELIEVE,
BE WILLING TO GIVE DETAILS ON THEIR DEAL WITH GON IF THIS
WOULD BE USEFUL IN XCSS CONTEXT.
TANGUY

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